

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes of the^{<MeetNo1>} 10th Meeting of the 2000-01 Interim

^{<MeetMDY1>} November 21, 2000

The^{<MeetNo2>} Capital Projects and Bond Oversight Committee met on^{<Day>} Tuesday,^{<MeetMDY2>} November 21, 2000, at^{<MeetTime>} 1:00 PM, in^{<Room>} Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members:^{<Members>} Representative Jodie Haydon, Chair; Senator Robert Leeper, Vice Chairman; Senator Tom Buford; Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the Committee: Bill Hintze, Governor's Office for Policy and Management; Armond Russ and Jim Abbott, Finance and Administration Cabinet; Gary Grogan, Kentucky Community and Technical College System; Karen Mayes, Office of the Kentucky State Treasurer; Warren Nash, Cabinet for Economic Development; Ken Schwendeman, Justice Cabinet; Ken Clevidence, University of Kentucky; Debby Milton, Kentucky Infrastructure Authority; and Don Mullis, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Kevin Mason, Lola Williamson Lyle, Lou Pierce, and Shawn Bowen.

Senator Leeper made a motion to approve the minutes of the September 19, 2000 meeting as submitted. The motion was seconded by Representative Marcotte and passed by voice vote.

Chairman Haydon introduced Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management (GOPM) who presented two reports submitted by the Finance and Administration Cabinet and the Council on Postsecondary Education (CPE) regarding the Agency Bond Pool and the Capital Renewal and Maintenance Pool. Mr. Hintze said the Agency Bond Pool for postsecondary educational institutions authorized by the 2000 General Assembly, permits institutions to issue \$35 million in bonds. He said Finance Secretary John McCarty, working with the CPE, has allocated the entire \$35 million. (Allocations from this pool are an authorization to issue bonds, but the institutions must use their own funds for debt service.)

Mr. Hintze said the 2000 General Assembly appropriated \$30 million in General Fund-supported bonds for the Capital Renewal and Maintenance Pool. The funds are to be matched dollar for dollar by postsecondary educational institutions for capital renewal and deferred maintenance needs. Mr. Hintze noted the need far exceeds the amount of money available, and the Council has worked with the institutions to determine which projects are appropriate for priority attention at this time.

Representative Wayne commended the Cabinet and the CPE for the high priority placed on fire safety projects, and he asked how they would ensure matching requirements are met for those projects receiving the Capital Renewal and Maintenance Pool funds. Mr. Hintze said for those institutions whose capital projects are managed by the Finance and Administration Cabinet, a work order would not be issued until the required match has been met. The three universities that manage their own construction (the University of Kentucky, the University of Louisville, and Murray State University) will be required to place the total cost of the project in an account, and then seek reimbursement for 50% of the amount.

In response to a question from Representative Wayne, Mr. Gary Grogan, Director of Facilities Management, Kentucky Community and Technical College System (KCTCS), said KCTCS was able to match the \$5 million in deferred maintenance funds it was allocated in the last budget cycle.

Chairman Haydon said it was not necessary for the Committee to take action on the Capital Renewal and Maintenance Pool allocation, but the Committee did need to take action on one authorized project whose scope was increased as a result of the allocation: Primary Electrical Service project for Western Kentucky University.

Mr. Hintze said the University indicated that funds authorized in the 2000-02 budget were insufficient for this project, and the Council and the Cabinet included in their report to the Committee the 15% cost overrun for the project.

Senator Buford made a motion to approve the cost overrun for the Western Kentucky University - Primary Electrical Service project. The motion was seconded by Senator Leeper and passed by voice vote.

Chairman Haydon asked that Facilities Management Commissioner Armond Russ join Mr. Hintze at the table to discuss the Finance Cabinet's monthly report.

Since no action was required on the first four projects in the report, they were not discussed. The projects were: Tourism Development Cabinet - Kentucky State Fair Board - Freedom Hall Floor Refrigeration/Dehumidification - Emergency scope increase using agency funds; Kentucky Department of Education - Kentucky School for the Blind - Crowe Property in Henry County - Report of land acquisition and development using

Kentucky Heritage Land Conservation funds; Natural Resources and Environmental Protection Cabinet - Kentucky Heritage Land Conservation Fund - Green River State Forest property acquisition; and KCTCS - Jefferson Community College - Renovation of Downtown Campus - Project consolidation.

Mr. Hintze then reported an allocation of \$74,000 from the Emergency Repair, Maintenance and Replacement Account for the lease-purchase of check sealing equipment in the Department of the Treasury. He said the allocation will be matched with General Fund savings within the Treasurer's Office. Mr. Hintze said the Treasurer's Office had relatively new equipment to seal checks; however, the equipment is not working. The equipment damages the checks and is hazardous to employees. The manufacturer has made repeated attempts to repair the equipment, but the remedial efforts have failed.

Mr. Hintze said the new equipment will be leased for 60 months. He said in addition to the Emergency Fund allocation, the Treasurer's Office will add cost savings from its General Fund each year of this biennium. The total cost remaining this year is \$41,000 (\$26,600 in emergency funds and \$15,000 in agency funds); the total cost next year is \$62,400 (\$47,400 in emergency funds and \$15,000 in agency funds). During the next biennial budget process, the Treasurer's Office will seek continuation funding for the project.

Representative Wayne asked if the check sealing equipment malfunctioned during the first year of operations. Mr. Hintze said he did not know how quickly it broke down. He introduced Ms. Karen Mayes, from the Treasurer's Office to further discuss the situation. Ms. Mayes said the equipment was purchased under the previous administration in May 1999.

Mr. Hintze said once Treasurer Miller's Office found the equipment was not working, they tried to hold the supplier and the manufacturer responsible. However, according to Ms. Mayes, the warranty had expired.

In response to a question from Senator Leeper, Ms. Mayes said this equipment would be lease-purchased, and with routine maintenance, the life expectancy for the equipment is 10 years, based on the Treasury Department's volume of 144,000 checks per week.

Chairman Haydon said allocations from the Emergency Fund must be reported to the Committee within 30 days of expenditure, but no further action is required.

Mr. Hintze then discussed a \$57,000 scope increase for the Morehead Youth Development Center New Kitchen project. The scope increase will be funded with \$14,000 in federal funds from the Juvenile Accountability and Incentive Block Grant

program and \$43,000 from the Department's Miscellaneous Maintenance Pool. Mr. Hintze said Secretary McCarty does not normally allow the use of Maintenance Funds to match line-item project costs, but they were permitted for an earlier cost overrun on this project, and the federal funds are available for a limited time.

Senator Leeper made a motion to approve the scope increase for the Morehead Youth Development Center New Kitchen project. The motion was seconded by Senator Buford and passed by voice vote. The revised project scope is \$597,000.

Mr. Hintze then reported two projects for the Department of Military Affairs. He reported a \$33,000 federally funded scope increase for the Wendell H. Ford Regional Training Center Battle Simulation Center project. He said the scope increase is necessary for additional surveying work and to maintain contingency funds in the project budget.

Senator Buford made a motion to approve the scope increase. The motion was seconded by Senator Leeper and passed by voice vote with Representative Wayne voting no. The revised project scope is \$495,000.

Mr. Hintze then reported an unbudgeted project known as the Deployable Force on Force Instrumented Range System Center (DFIRST), also located at the Wendell H. Ford Regional Training Center. The project is 100% federally funded and the project scope is \$499,000.

Senator Buford made a motion to approve the DFIRST project. The motion was seconded by Senator Leeper and passed by voice vote with Representative Wayne voting no.

Mr. Hintze next discussed a privately funded scope increase for the Western Kentucky University Journalism and Technology Building. This project was authorized by the 1998 General Assembly for \$18,500,000 (bond funds); it was later combined with the privately funded South Lawn Plaza project for a combined scope of \$19,300,000. Mr. Hintze said \$500,000 in private funds will be used to increase the scope of the South Lawn Plaza portion of the project. He said the commitment of private funds has been certified, and the College Heights Foundation has pledged to be responsible if there should be a shortfall in the private donation.

Representative Damron made a motion to approve the scope increase. The motion was seconded by Senator Buford and passed by voice vote. The revised project scope is \$19,800,000.

Lastly, Mr. Hintze reported a \$525,000 scope increase for the Eastern Kentucky University (EKU) Law Enforcement Basic Training Complex. This project was authorized by the 1998 General Assembly for \$20 million (agency bond funds), and the

2000 General Assembly added \$7 million to complete other components of the original design. The scope increase will enable the firing range to be completed and to assure contingency funds are maintained in the project budget. The scope increase will be funded with unbudgeted agency receipts derived from the Special Training Fund.

Representative Wayne asked why this project was not submitted as part of the 2000-02 Executive Budget. Mr. Hintze said ECU had not bid the project at that time. The bids were opened this past summer, and it was then determined additional funds were needed.

Mr. Ken Schwendeman, Department of Criminal Justice Training, said the special training revenue comes from two sources: tuition for training and the sale of concealed carry deadly weapon permits (\$25 per permit application). He said because of recent changes, the only agencies now charged for training are federal agencies. As a result, the revenue has decreased by two thirds. Mr. Schwendeman said the money is not budgeted as a revenue source because it is unreliable; it is kept for one-time type of expenses.

Senator Buford asked how much money went into the Special Training Fund last year. Mr. Schwendeman said currently the Special Training Fund has a balance of \$1.3 million, and the fund is expected to now accrue at the rate of \$100,000 a year or less.

Representative Marcotte said that he heard complaints from a local police department that there are long delays for new employees to receive training. Mr. Schwendeman said there is a time lag between hiring and basic training, but that varies. Staff has recently been added and the waiting period has been reduced to a couple of months as opposed to 12 months.

Representative Damron asked if there is a surplus in the Special Training Fund because the \$25 per application fee for the concealed deadly weapon permit is set higher than needed. Representative Damron said he wanted to make sure the state was not breaking a covenant that was made in hearings on the concealed weapon regulations that the fee would be set at cost. Mr. Schwendeman assured Representative Damron they were not making any money on the permit. Mr. Schwendeman said most of the money in the Special Training Fund is from tuition fees. He said the concealed carry deadly weapon program is extremely time-consuming to administer, and they have spent at least \$25 per application conducting the program.

Representative Damron made a motion to approve the scope increase for the ECU Training Center. The motion was seconded by Senator Buford and passed by voice vote. The revised project scope is \$20,525,000.

Chairman Haydon said the next two items submitted by the University of Kentucky (UK), a scientific equipment purchase and a change in funding source for the

Crisp Building on the campus at Paducah Community College, did not require Committee approval. He then called on Mr. Ken Clevidence, Director of the UK Capital Construction Program, to discuss two other University projects.

Mr. Clevidence reported the University wants to consolidate five infrastructure projects that were approved by the 2000 General Assembly. Those projects include: Chilled Water Systems Upgrade at the Medical Center (\$3,450,000); Steam Line Expansion – Medical Center (\$2,867,000); Electrical Substation Upgrade (\$3,600,000); Chiller Replacement – Cooling #3 (\$2,500,000); and Communication Project (\$1,735,000).

Representative Damron made a motion to approve the consolidation of the five UK projects. The motion was seconded by Representative Wayne and passed by voice vote. The combined project scope is \$14,152,000.

Mr. Clevidence then reported a \$1 million privately-funded project scope increase for the UK Center for Rural Health in Hazard. This project was authorized by the 1998 General Assembly at a scope of \$6,100,000 and received an appropriation of \$4 million from the 2000 General Assembly.

In response to a question from Representative Wayne, Mr. Clevidence said the University did not anticipate the \$1 million gift. He said the University is negotiating with Appalachian Regional Hospitals to build the center adjacent to the existing hospital in Hazard. He said as the size of the building has not increased as a result of the \$1 million gift; it remains an approximately 40,000 sq. ft. facility. However, he said the gift will allow them to include items in the facility they would have otherwise had to defer.

Representative Wayne asked if the University has plans to build another facility in Hazard or start a Phase II for this project. Mr. Clevidence said he was not sure, but a second phase of this project is still part of the University's Six Year plan.

Senator Leeper made a motion to approve the project scope increase for the UK Center for Rural Health in Hazard. The motion was seconded by Representative Damron and passed by voice vote. The revised project scope is \$11,100,000.

Chairman Haydon then introduced two representatives of Northern Kentucky University (NKU), Mr. Ken Ramey, Assistant Vice President for Business Affairs, and Dr. Tom Comte, Associate Provost, to discuss a lease recently procured by the University for the Metropolitan Education and Training Services (METS) program. Mr. Ramey said the METS program is a very aggressive project undertaken by NKU in partnership with Delta Airlines, Tri-County Economic Development Corporation, the local Chamber of Commerce, and the Kentucky Community and Technical College System. The program's mission is to provide workforce preparation for everything from workforce readiness to

high-tech courses. To accomplish this, the University is not using exclusively NKU staff; they are brokering the best possible training sources in the region, to provide “just-in-time” education and training for corporations, government, and non-profits in the region. Mr. Ramey said the effort has been underway for slightly less than a year, and they have arranged for a short-term lease at 100 East River Center Boulevard in Covington to house the new staff while a longer-term lease is being procured.

Representative Marcotte said this project was a top priority for the Northern Kentucky legislative delegation. He noted that at \$24 a square foot, the rent for this facility was high and asked Mr. Ramey to address the rate. Mr. Ramey said the rate is about average for that location which is in the River Center development. He said for this short-term lease, the University sought a site with high “walk-by” marketability, and they also sought a location close to clients. He indicated they plan to use the site to make presentations to clients and wanted a site that would represent the high quality program they can deliver.

Dr. Comte indicated that they advertised their space requirements in the newspaper, and four companies made offers. One of the sites offered was not ADA compliant and was not acceptable; another property with a cheaper rate than the River Center property was overall a larger facility and the annual cost would have been higher. The other proposed site was in a strip mall in an area that Dr. Comte said was not conducive to the type of environment the METS program deserved.

Representative Wayne said that the lease procurement did not follow the statutory process and asked what efforts are being made to assure future procurements follow proper procedures. Mr. Ramey responded that this is the first time the University has procured any lease agreement, and they recently met with the Director of the Finance Cabinet’s Division of Real Properties to seek guidance prior to procurement of the longer-term lease for the METS program.

Representative Wayne noted that the proposed short-term lease is with Regent Communications which is subleasing the property from Corporex River Center Development. He asked how much Regent Communications is paying Corporex for the space. Dr. Comte said he did not know the rate, but NKU’s Purchasing Director had indicated that Regent Communications is proposing to charge approximately the same base rate they are paying Corporex plus an additional charge for furnishings, telephone equipment, and parking Regent Communications will include in the lease.

Senator Leeper asked about the telephone system, and Mr. Ramey said Regent Communications plans to leave its system in place for METS.

Representative Wayne asked if anyone associated with Corporex or its subsidiaries serves on the University's boards or committees. Dr. Comte said that to the best of his knowledge, they do not.

In response to questions from Senator Buford, Dr. Comte said Regent Communications is relocating within the same building. He said the company owns radio stations all over the county and the main principal of the company is Terry Jacobs.

Representative Wayne asked if there was any consideration to rebid the project since three offers were rejected and the other offer was so high. Mr. Ramey said they did not consider rebidding. The space and location requirements were met by the River Center property, and the METS Program needs to quickly establish an office. The director of the program has been temporarily using office space at the Northern Kentucky Chamber of Commerce, and has been asked to vacate that space.

Dr. Comte stressed that they did research whether the proposed rate was reasonable, given its characteristics and location. He said while it appears to be costly, it will present METS in the way he thought the board wants METS to be presented.

Senator Leeper asked if any other state agency had reviewed the lease. Ms. Mary Lynn Collins, the Committee's staff administrator, said all of the universities procure their own leases and do not go through the Finance and Administration Cabinet.

Representative Marcotte asked about the long-term lease NKU will procure for the METS program. Mr. Ramey said the space they hope to procure later will include both office space and high-tech training rooms. Dr. Comte added that the 2000 General Assembly provided \$700,000 annually for a METS lease. He said the METS Board has recommended that the facility be located near the Greater Cincinnati/Northern Kentucky International Airport.

In response to a question from Senator Buford, Mr. Ramey said METS currently has five employees.

Representative Wayne asked about a lease agreement between the University's Foundation and Regent Communications. Dr. Comte said NKU's Foundation has signed a short-term lease with Regents until the lease is approved by the Committee.

Representative Wayne moved to delay action on the lease and to ask NKU for the following information: (1) a breakdown of the various cost components relating to the lease, including furnishings, the phone system, and parking; (2) the rate Regent Communications is paying for the space they are subleasing and for the new space they are relocating to; and (3) assurance that no one on NKU's board is connected with either

Regent Communications or Corporex or its subsidiaries. The motion was seconded and passed by voice vote.

Chairman Haydon then introduced Mr. Larry Owsley, Vice President for Finance and Administration, University of Louisville (U of L). Mr. Owsley said U of L is requesting approval for a \$1.66 million unbudgeted capital project to develop a Health Sciences Campus Fitness Facility. He said the fitness center is a project that was a commitment the University made to students when they agreed to assess themselves a \$15 fee per semester to help fund the building of a natatorium which was authorized by the 2000 General Assembly.

Mr. Owsley said the administration originally anticipated a fitness center project smaller in scope. They planned to locate the fitness center in the library, since the basement already had existing walls and plumbing; however, the students did not find that location acceptable.

Senator Leeper asked how the students assessed themselves the \$15 fee. Mr. Owsley said the Board of Trustees voted for the fee, but they had the endorsement of the Student Government Association which listed the items the Association wanted in exchange for its endorsement.

Representative Wayne noted there was a newly expanded YMCA a block and a half away from the University. He asked why the University did not make arrangements with the YMCA to use their facility. Mr. Owsley said they considered that option, as well as a similar one with Norton Hospital. However, the students felt these options did not meet their needs. Mr. Owsley said the facility, as proposed, will be in the heart of the campus, and is a needed facility.

In response to a question by Senator Buford, Mr. Owsley said students will have priority for using the facility, and staff's use will be dependent upon capacity.

Representative Wayne made a motion to approve the U of L project. The motion was seconded and passed by voice vote.

Chairman Haydon called on Mr. Jim Abbott, Director, Department for Facilities Management, to discuss two lease modification reports.

Mr. Abbott reported two modifications for state leases in Franklin County. He reported the Governor's Office of Agriculture Policy, Commission on Small Business Affairs, and the Commission on Women (PR-3211) are jointly acquiring a lease vacated by the Cabinet for Families and Children. The space is to be refurbished to adapt the space to the needs of the three agencies at a cost of \$24,546. (No action is required for lease modifications less than \$50,000.)

Mr. Abbott then reported a request by the Transportation Cabinet, Division of Information Technology (PR-4448), to increase the existing lease by 5,622 square feet to accommodate additional staff. The annual cost would increase from \$74,965 to \$111,664.

Representative Wayne made a motion to approve lease PR-4448. The motion was seconded by Senator Leeper and passed by voice vote. (Action is required for all leases over \$100,000.)

Mr. Abbott said the last lease he was reporting was a lease consolidation, PR-4492. He said this lease is in Johnson County, and the using agency is the Cabinet for Families and Children. He said the action taken is to relocate staff in two currently leased properties that comprise 10,049 square feet of space. He said advertisements were placed for approximately 19,000 SF and three responses were received. He said his office was recommending award of the lease to Magoffin County Enterprises. The property is located at 205 Main Street, Paintsville, and the rate offered is \$11.50 per square foot for an eight-year lease term.

Representative Damron asked why the agency was seeking to increase its space. Mr. Abbott responded that the agency is consolidating the offices of Protection and Permanency and Family Support. The new office of the Big Sandy Service Region Administrator (17 employees) will also be housed at the same location.

Representative Damron noted that the lease costs for the Cabinet for Families and Children will increase by 292%. He said this Cabinet has struggled to have enough money to pay foster care parents and to provide other services for children. He asked for more justification for the expenditure and asked Mr. Abbott if he had any additional information on the benefits anticipated to be gained from the lease consolidation.

Mr. Abbott responded that he was not a program person, but he would be glad to have someone from the Cabinet for Families and Children submit program information. He noted, over time, additional employees have been added in those offices and currently the space is overcrowded and inadequate by today's standards.

Senator Leeper said that according to the information they had, the average state lease rate in Johnson County is \$7.30 per square foot, a sizeable difference to the proposed rate of \$11.50 per square foot. Mr. Abbott pointed out that the average is based in part on the two leases that are to be canceled. The rates of those leases are \$3.56 per square foot and \$7.00 per square foot.

Senator Buford noted that based on a seven-year lease, the state will invest approximately \$1.5 million to provide this space, and suggested that this is possibly an

example of a case in which the state should own rather than rent a building. He said that he would like know the number of people anticipated in this office on a daily basis.

Representative Wayne made a motion to delay action on the lease until additional information from the Cabinet for Families and Children could be provided. That motion was seconded and approved by voice vote.

Chairman Haydon introduced Mr. Warren Nash, Director of the Grant Programs in the Economic Development Cabinet's Department of Financial Incentives, to discuss projects funded under the Economic Development Bond (EDB) program. The first project presented by Mr. Nash was an EDB project to benefit Hancock County and Willamette Industries. He said Willamette Industries has made an investment of \$570 million in an expansion of its paper mill located in Hawesville, Kentucky. The Cabinet is proposing to make a grant of \$225,000 to the company, through Hancock County. (Hancock County will use the funds to purchase equipment from Willamette Industries and will then lease the equipment back to the company for \$1 per year.) The company is being required to maintain 576 jobs through December of 2000.

Senator Buford asked about the salaries associated with these jobs. Mr. Nash said he did not have the information with him, but that he would provide that information to the Committee at a later date.

Senator Buford asked why the grant agreement only requires Willamette to maintain the jobs (527) through the end of the current year. Mr. Nash explained that discussions about this grant really began in 1997. The project was delayed because Hancock Fiscal Court wanted to make sure that the employees hired were residents of Hancock County before formally agreeing to participate in the project. Mr. Nash said there is a non-binding letter of intent from 1997 in which Willamette agreed to create 60 new positions and to maintain a labor force of 527 for three years. As of July of this year, Willamette's labor force was 576.

Representative Damron questioned the delay and asked why the available funds were not used elsewhere if the Hancock County Fiscal Court was so slow to agree to participate in the project. Mr. Nash responded that the Cabinet did have the non-binding agreement in place and they tried to proceed with this particular company, given the investment and the types of jobs that would be created by the expansion.

Senator Leeper made a motion to approve the Hancock County/Willamette grant. When no member seconded the motion, Senator Leeper said it appeared the company had been diligent in creating the jobs and maintaining its labor force as provided in the non-binding letter of agreement with the state.

Senator Buford asked if employment at Willamette has steadily increased since 1997. Mr. Nash indicated that it had. He also reminded the Committee that the county will actually own the equipment for five years, and the company will lease it for \$1 year or buy it back at the appraised value.

Senator Leeper moved again to approve the project. Senator Buford seconded the motion which passed by voice vote. Senator Leeper then requested that the Cabinet submit in writing its policy regarding stipulations by local governments that job commitments associated with the Cabinet's financial incentives be filled exclusively by residents of a particular Kentucky locale. Mr. Nash agreed to see that was done. He said this situation did not happen often, but noted that EDB grants must be funneled through a local government or an industrial authority, and sometimes they only have one possible conduit for a project.

Mr. Nash next reported on a proposed EDB grant in the amount of \$250,000 for the Floyd County Fiscal Court. Floyd County will use the proceeds of the EDB grant to purchase equipment and lease it to Worldwide Equipment, Inc. In return, Worldwide Equipment will maintain its current workforce of 40 full-time jobs, create 15 new full-time jobs, and retain that workforce of 55 through a third year. Mr. Nash said there will be a penalty of \$4,545 assessed for each job not created.

In response to questions by Representative Wayne, Mr. Nash said the average salary wage for five new jobs will be \$70,000, and the average salary for the other jobs is \$34,000. However, he said wage requirements are not part of the grant agreement.

Representative Marcotte made a motion to approve the EDB grant for Worldwide Equipment. The motion was seconded by Representative Damron and passed by voice vote.

Mr. Nash then updated the Committee on another EDB project, the United Dairy Farmers Erlanger facility. He said the company was declared in default of its contract, and the company has paid a fine of \$108,000 to the City of Erlanger. The city cannot spend these funds without the Cabinet's approval, and they must be spent for economic development purposes.

Representative Damron asked about the interest earned on the money. Mr. Nash said the agreement does not address that, but he thought the money would be allocated quickly and there would be little earned interest.

Mr. Nash then discussed the EDB project, Matsushita Home Appliance Company in Danville. He said as a result of questions raised by the Committee last month, a letter was sent to Matsushita concerning their job creation commitment. The company has

responded they expect to meet the job creation requirements which run through December 2000.

Chairman Haydon then introduced Ms. Debby Milton, Secretary for the Kentucky Infrastructure Authority (KIA), to present four new projects proposed for KIA assistance and one loan amendment. She first discussed a proposed Fund E (Solid Waste Revolving Loan Program) loan for the Meade County Fiscal Court. The Fund E loan of \$375,000 will be used to begin providing solid waste collection services for the county.

Ms. Milton then discussed three proposed Fund F (Federally Assisted Drinking Water Revolving Loan Fund) loans: \$5,500,000 for the City of Morehead to make various water system improvements; \$869,023 for the City of Hickman to renovate and upgrade the water treatment system; and \$2,383,982 for the City of Providence to construct a new water treatment plant.

Lastly, Ms. Milton reported a Fund A (Federally-Assisted Wastewater Revolving Loan Fund) loan amendment for a sewer plant rehabilitation project for the City of Wurtland. KIA is now reporting an increase in the loan from \$1,210,530 to \$1,561,400.

Senator Leeper made a motion to approve the four new KIA projects and the Fund A loan amendment. The motion was seconded by Representative Damron and passed by voice vote.

Chairman Haydon then called on Mr. Don Mullis, Executive Director of the Office of Financial Management, to present the agency's bond activity report. Mr. Mullis first discussed a new bond issue: University of Kentucky (UK) Consolidated Educational Buildings Revenue Bonds, Series Q, \$29,996,972. Mr. Mullis said this bond issue was given final approval by the Secretary of the Finance and Administration Cabinet after the Committee's October meeting was cancelled, since the bonds were scheduled to be sold October 24, 2000.

Mr. Mullis then discussed the three proposed new bond issues: UK Housing and Dining System Revenue Bonds, Series R dated December 1, 2000, \$13,833,423; Kentucky Asset/Liability Commission Project Notes, 2000 Agency Fund Series, \$109,125,000; and KEDFA Adjustable Rate Demand Health Care Facilities Revenue Bonds, Series 2000 (Kentucky Easter Seal Society, Inc. project), \$15,000,000.

Representative Damron made a motion to ratify Finance Secretary McCarty's decision to approve UK Consolidated Educational Buildings Revenue Bonds, Series Q, and to approve the three new bond issues. The motion was seconded by Representative Marcotte and passed by voice vote.

Also included in Committee folders were four follow-up reports for previously approved bond issues: Kentucky State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 67; Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes, 2000 Series B; Kentucky State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 68; and Kentucky Housing Corporation Housing Revenue Bonds, 2000 Series E, F, and G.

No action is required for follow-up reports.

Mr. Mullis reported three new bond issues with School Facilities Construction Commission (SFCC) debt service participation: Anderson County; Bell County; and Harlan County.

Senator Buford made a motion to approve the school bond issues with SFCC debt service participation. The motion was seconded by Representative Marcotte and passed by voice vote. Representative Damron abstained from the vote, citing a potential conflict of interest.

Chairman Haydon said there were eight locally funded school bond issues submitted to the Committee for review this month: Boone County; Breckinridge County; Harlan County; Johnson County; Knox County; Paintsville Ind. (Johnson Co.); Somerset Ind. (Pulaski Co.); and Todd County. He said all disclosure information has been filed, and no further action on these bond issues is required.

Chairman Haydon said also enclosed in members' folders was information relating to the Qualified Zone Academy Bond Program. He said this is a relatively new federal program and the Johnson County school bond issue submitted today is a Qualified Zone Academy issue.

Chairman Haydon said the Committee's next meeting is scheduled for Tuesday, December 19, 2000 at 1:00 p.m. in Room 129 of the Annex.

With there being no further business, Representative Damron made a motion to adjourn the meeting. The motion was seconded and passed by voice vote. The meeting adjourned at 3:00 p.m.